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From: Steven M. Olea
Director
Utilities Division

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Arizona Corporation Commission

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Subject: Sulphur Springs Valley Electric Cooperative's Application for Moratorium on New Connections
Docket No. E-01575A-09-0453

On September 18, 2009, Sulphur Springs Valley Electric Cooperative ("SSVEC" or Cooperative) submitted an application ("Application") to the Arizona Corporation Commission ("Commission") for authorization to institute a moratorium on new connections to the V-7 feeder line serving the Whetstone, Rain Valley, Elgin, Canelo, Sonoita, and Patagonia areas (collectively "Affected Areas").

Utility Overview

SSVEC became a partial requirements member of Arizona Electric Power Cooperative ("AEPCO") on January 1, 2008. According to SSVEC, the Cooperative will have the need to secure up to 100 MW beyond its current level of supply of power from AEPCO, during peak load conditions. AEPCO's power is delivered to SSVEC through the transmission system of Southwest Transmission Cooperative, Inc. ("SWTC") and is measured at SWTC's wholesale delivery points at San Rafael 230 kV Substation, Kartchner 115 kV Substation, Apache Power Plant 115 kV Substation, and Red Tail 230 kV Substation.¹ At year end 2008, SSVEC provided electric power to its members via 4,012 miles of energized lines, including 286 miles of sub-transmission lines, 3,008 miles of overhead distribution lines and 718 miles of underground distribution cables. Like other cooperatives in the state of Arizona, SSVEC's major customer base and consumption is residential load.

For the future generation needs, the Cooperative is evaluating participation in other planned generation projects in Arizona, including the Southwest Power Group's Bowie Plant and the generation resources planned by the Southwest Public Power Resource group ("SPPR") for its intermediate power needs.

Customer and Load Growth

SSVEC's total number of customers grew from 38,976 in 1998 to 50,365 in 2008. This is an average increase of 2.9 percent per year. The Cooperative anticipates 52,708 customers in

¹ SSVEC facilities deliver the power from the wholesale delivery points to the end-use customer.

2009, increasing at an average rate of 2.26 percent per year over the longer term to 81,255 customers in 2033.

The Cooperative's retail load grew from approximately 96 MW in 1998 to 191.2 MW in 2008, which is an average increase of 7.2 percent per year. However, the Cooperative is projecting a load growth of only 3.37 percent per year because of the current depressed economic conditions.

Background

In Decision No. 71274, relative to the Sonoita upgrade and new 69 kV line construction project, the Commission ordered that the Cooperative shall:

- Docket by October 30, 2009, a report providing details of setting up public forums in the communities served by the planned 69 kV line and the associated upgrades. The report shall detail the topics for discussion at these public forums, and reference how renewable resources or other alternatives to the Sonoita project could be incorporated in the Cooperative's overall generation portfolio.
- Docket by July 30, 2010, a report, as a compliance matter, discussing the outcome of the aforementioned public forums, and also discussing how the Cooperative plans to incorporate the reasonable and effective renewable energy proposals resulting from such forums.
- Docket by December 31, 2009, as a compliance matter, a feasibility study, prepared by an independent third party that includes alternatives (including use of distributed renewable resources) to constructing the 69 kV Sonoita project.
- Docket by July 30, 2010, a report and minutes of the meetings with members at the said public forums.
- Not commence construction of the referenced 69 kV Sonoita project until further order of the Commission.

Staff's Analysis

As stated in Commission Utilities Division Staff's ("Staff's") Direct Testimony in the SSVEC's rate case (E-0157A-08-0328), the 69 kV Sonoita project was needed to relieve the overloading and voltage instability problems on the existing 25 kV V-7 distribution feeder, which had reached its capacity limit. The Affected Areas have experienced unacceptable outage hours in recent years. Staff believes that without some kind of a moratorium, service will continue to decline with the increased load of new customers. Additional loading on this feeder will likely result in more frequent outages, brownouts and possibly even blackouts. Because of Right-of-Way ("ROW") prescriptive rights, the V-7 feeder has been grandfathered and cannot be upgraded to meet the growing load of the Affected Areas. SSVEC must perfect this easement in order to make any upgrades to the V-7 feeder. This would mean obtaining an acquisition of as many as 107 parcels of land for a total of 200 acres, including BLM land, Arizona State land, Los Cienega Conservation Area, and 98 parcels of private land. SSVEC had obtained the ROW

for the 69 kV Sonoita project in 1982, and planned to make a final selection of the route in the middle of November 2009, for completion of this project by the end of 2010, which would have enabled the Cooperative to meet the 2010-11 system peak, because SSVEC is a winter peaking utility.

The findings of the feasibility study and the public forum period will delay the implementation of possible alternative solutions to the Sonoita reliability problem, and will not occur until after the winter peak of 2010-11, or later.

Conclusions

Based on the foregoing analysis, Staff concludes that the single V-7 25 kV distribution feeder presently serving the Affected Areas will not perform at a satisfactory level of reliability until the overloading on the V-7 feeder is mitigated by either construction of the 69 kV Sonoita project or by implementing appropriate alternatives that may be proposed in the independent study by a third party and by discussions at the public forums mentioned earlier. Staff further concludes that the performance of this feeder will deteriorate further if more customer loads are added to it. Staff further concludes that a moratorium on future customer connections in the Affected Areas will help preserve SSVEC's present level of system reliability until overloading of the V-7 feeder can be resolved.

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Docket No. E-01575A-09-0453

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